

Message Text

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PAGE 01 GENEVA 03086 011421Z

47

ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AF-06 ARA-06 EA-06 NEA-09

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

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E.O. 11652: NA

TAGS: GATT ETRD

SUBJ: GATT BOP CONSULTATIONS: TURKEY

BEGIN SUMMARY. TURKEY PROMISED CONTINUE IMPORT
LIBERALIZATION AND AGAIN SEEK PARLIAMENTARY APPROVAL REPLACE
STAMP DUTY WITH VALUE-ADDED TAX BY END 1977. WAIVER
EXTENSION APPROVAL RECOMMENDED BY BOP COMMITTEE. END
SUMMARY.

1. DURING APRIL 24 GATT BALANCE-OF-PAYMENTS COMMITTEE
ARTICLE XVIII CONSULTATION, TURKEY SAID TRADE DEFICIT
REACHED \$820 MILLION IN FIRST QUARTER OF 1975; FOREIGN
EXCHANGE RESERVES HAD FALLEN TO \$1.1 BILLION BY APRIL 1.
SAID RECENT IMPORT LIBERALIZATION HAD BEEN FACILITATED BY
INCOME FROM SERVICES AND ULTIMATE GOAL WAS COMPLETE
LIBERALIZATION. ADVANCE IMPORT DEPOSITS HAD BEEN LOWERED BY
50PCT AND SCOPE OF LIBERAL LICENSING EXTENDED; NOTED
OIL-IMPORT BILL HAD BURGEONED WHILE GROWTH IN
WORKERS' REMITTANCES HAD SLOWED. STRESSED THAT 95PCT OF IMPORTS
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PAGE 02 GENEVA 03086 011421Z

CAME FROM NON-BILATERAL TRADE SOURCES. TURKEY SAID EXPERIENCE

HAD SHOWN STAMP TAX HAD NO DECREASING EFFECT ON IMPORTS;
ALTHOUGH RATE OF TAX APPROACHED 10PCT, INCIDENCE ON IMPORTS
IS 6PCT AND EXPECTED TO DECLINE FURTHER. MEANWHILE, THIS
IS A CHIEF SOURCE OF REVENUE FOR 5-YEAR PLAN. SINCE
1973, TAX DISCRIMINATION IN FAVOR OF EC HAS BEEN ELIMINATED.

2. IMF SAID TRADE DEFICIT PARTLY DUE TO IMPORT
LIBERALIZATION BUT COTTON EXPORT PRICES DOWN, NOTED ITEMS
ON LIBERALIZED LISTS GREW FROM 45PCT IN 1972 TO 65PCT IN
1974 AND PROGRAMMED INCREASE TO 72PCT IN 1975. PROSPECTS
FOR AGRICULTURAL EXPORT PRICES CRUCIAL FOR 1975 BOP
PERFORMANCE. SAID END-1974 RESERVES HAD BEEN ADEQUATE
FOR 5 MONTHS' IMPORTS BUT SITUATION DETERIORATED
RAPIDLY IN EARLY 1975. SAID STAMP TAX NOT CLEAR BOP
MEASURE AND WHILE WARRANTED ON TEMPORARY BASIS SHOULD BE
REPLACED BY OTHER FISCAL MEASURES.

3. US ASKED CLARIFICATION OF ADEQUACY TURKEY'S
RESERVES; IMF AND TURKEY AGREED THESE NOW ADEQUATE FOR
ONLY TWO TO THREE MONTHS AT CURRENT IMPORT RATES.

4. US NOTED LIBERALIZATIONS, EXPRESSED UNDERSTANDING
FOR BOP DIFFICULTIES, BUT INDICATED THAT AT LEAST UNTIL
RECENTLY RESERVE LEVELS IN OTHER COUNTRIES WERE LOWER
THAN IN TURKEY. US SAID IMPORT REGIME REMAINS
RESTRICTIVE AND URGED SIMPLIFICATION AND FURTHER
LIBERALIZATION, PER REFTTEL. EC, CANADA, JAPAN MADE
SIMILAR INTERVENTIONS.

5. TURKEY SAID TARIFFS NOW BEING PHASED INTO HARMONY
WITH EC TARIFFS; AFTER THIS COMPLETED, QRS WON'T BE
NEEDED. GOAL IS GET RID OF ALL IMPORT DEPOSITS, QRS,
ETC., BUT PROBLEMS LINKED WITH LDC STATUS MAKE PROGRESS
SLOW.

6. U.S. NOTED STAMP DUTY IS FOR REVENUE PURPOSES AND
SUPPORTED IMF RECOMMENDATION THAT MEASURE BE PHASED
OUT. EC, SWEDEN, CANADA, JAPAN SUPPORTED. TURKEY SAID
LACK OF PARLIAMENTARY MAJORITY HAD PREVENTED PASSAGE
OF LAW REPLACING STAMP TAX WITH VALUE-ADDED SYSTEM.
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SAID TURKEY USED STAMP TAX FOR BOTH BOP AND REVENUE
PURPOSES BUT STILL INTENDED SEEK PARLIAMENTARY APPROVAL
REPLACE IT AND NOTED CURRENT STAMP TAX AUTHORITY EXPIRES
AT END 1977. SAID THEY NOT OPTIMISITC APPROVAL CAN BE
OBTAINED EARLIER BUT WOULD CONTINUE TRY. SAID THERE
NO QUESTION THAT TAX REFORM NEEDED AND 1972 RETAIL TAX
WAS EVIDENCE OF COMMITMENT TO CHANGE.

7. US SAID ONE-YEAR WAIVER EXTENTION WAS NORMAL
AND 2 1/2 YEAR WAIVER EXTENSION WAS LONG BY GATT STANDARDS
BUT COULD SUPPORT ON BASIS TURKEISH STATEMENTS OF SERIOUS
INTENTION SEEK REPLACEMENT ON OR BEFORE END 1977.
CANADA, JAPAN TOOK SIMILAR POSITION. CHAIRMAN DUNKEL
NOTED BOP COMMITTEE REVIEW DUE IN EARLY 1977 WOULD GIVE
OPPORTUNITY REVIEW PROGRESS. COMMITTEE AGREED
RECOMMEND COUNCIL APPROVE ART. XXV WAIVER EXTENSION
TO END 1977. DALE

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